

Message Text

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ACTION ABF-01

INFO OCT-01 EUR-12 NEA-10 ISO-00 EB-08 CIAE-00 INR-07

NSAE-00 TRSE-00 /039 W

-----072002 130848Z /12

R 130742Z SEP 77

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 4489

INFO USDOC WASHDC

AMEMBASSY ATHENS

AMEMBASSY ABU DHABI

AMEMBASSY AMMAN

AMEMBASSY CAIRO

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

USINT BAGHDAD

USLO RIYADH

AMCONSUL FRANKFURT

UNCLAS SECTION 1 OF 2 TEHRAN 8089

ATHENS FOR RTDO

FRANKFURT FOR GAO

E.O. 11652: N/A

TAGS: AGAO EFIN IR

SUBJ: US TAX REFORM ACT/GAO STUDY

REF: TEHRAN 5336, ET AL

1. SUMMARY: GAO VISIT TO IRAN WAS WELL RECEIVED AND ENTHUSIASTICALLY SUPPORTED BY BUSINESS SECTOR. INFO RECEIVED FROM WIDE RANGE OF BUSINESS COMMUNITY WAS GENERALLY VERY HELPFUL, WITH A NUMBER OF UNCLASSIFIED

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MULTINATIONAL FIRMS NOTING THAT DETAILED CALCULATIONS OF ECONOMIC IMPACT ON OVERSEAS OPERATIONS WERE BEING MADE IN CORPORATE PRESENTATIONS DIRECTLY TO GAO IN WASHINGTON. WHEN ASKED TO CITE SPECIFICALLY HOW TAX REFORM WOULD LEAD TO REDUCED PROCUREMENT OF US SOURCED GOODS AND BALANCE OF TRADE AND EMPLOYMENT PROBLEMS IN US, COMPANIES DECLARED THEMSELVES ABLE TO DO SO READILY. ALL QUESTIONNAIRES AND OTHER INFO REQUESTED BY TEAM DURING VISIT HAVE

NOW BEEN SUPPLIED BY FIRMS AND FORWARDED TO FRANFURT. END SUMMARY.

2. GAO TEAM SPENT PERIOD JULY 5-29 IN IRAN, INCLUDING VISITS TO AHWAZ, SHIRAZ, AND ISFAHAN. VISIT WAS KICKED OFF BY BREAKFAST MEETING WITH IRAN AMERICA CHAMBER OF COMMERCE BOARD OF GOVERNORS WEDNESDAY JULY 6 AT WHICH CHAMBER PRESENTED POSITION PAPER, FOLLOWED BY MEETINGS WITH EMB STAFF.

3. BEGINNING SATURDAY, JULY 9, TEAM HELD MORE THAN 20 CORPORATE INTERVIEWS AND ULTIMATELY COLLECTED MORE THAN 50 INDIVIDUAL QUESTIONNAIRES FROM INDIVIDUALS REPRESENTING THE RANGE OF BUSINESS INTERESTS IN IRA, INCLUDING: TELECOMMUNICATIONS/COMPUTERS (AMERICAN BELL, COMPUTER SCIENCES, ELECTRONIC DATA SYSTEM, GTE); AEROSPACE/ DEFENSE (BELL HELICOPTER, GRUMMAN, HUGHES, LOCKHEED, LOGISTICS SUPPORT CORP, WESTINGHOUSE); OIL/PETROCHEMICAL RELATED (ARCO, HALLIBURTON, SANTA FE, SEDCO, POLYACRYL DUPONT, WESTERN OCEANIC; CONTRACTING/CICIL ENGINEERING (FLUOR, J A JONES, MORRISON KNUDSEN) AND SERVICE COMPANIES: ACCOUNTING (ARTHUR ANDERSEN, DELITTE, HASKINS & SELLS); INSURANCE (IRAN-AMERICAN INTERNATIONAL) CONSULTING (DEVELOPMENT AND RESOURCES CORP), AND INDIVIDUALS EMPLOYED BY ABOVE FIRMS AS WELL AS BY OIL SERVICES COMPANY OF IRAN (OSCO); TEHRAN AMERICAN SCHOOL AND DAMAVAND COLLEGE AND MELLI INDUSTRIAL GROUP (IRANIAN CONGLOMERATE).

4. IN REQUESTING APPOINTMENTS, EMPHASIS WAS PLACED ON NEED FOR HARD DATA ON COSTS OF LIVING, NOTING THAT GAO INITIATED STYDY IN RES- UNCLASSIFIED

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PONSE TO GENERALIZED RHETORIC AND COMPANIES NOW NEEDED TO DOCUMENT AS CAREFULLY AS POSSIBLE ACTUAL EXPENSES TO SUPPORT ALLEGATIONS THAT TAX REFORM WOULD INCREASE COSTS TO US FIRMS DOING BUSINESS OVER- SEAS AND WOULD ERODE US COMPETITIVE STANCE OVER MEDIUM AND LONGER TERM. IN GENERAL, COMPANIES WERE ABLE TO DEMONSTRATE FOR TEAM PROBLEMS TAX CHANGES ARE CAUSING IN IRAN, PARTICULARLY IN AREA OF UNEARNED INCOME (HOUSING, EDUCATIONAL AND OTHER ALLOWANCE). VISITS TO 3 SITES OUTSIDE OF TEHRAN WHERE THERE IS SIZABLE AMERICAN BUSINESS PRESENCE HIGHLIGHTED FOR TEAM THE POINT WHICH MANY BUSINESSMEN IN IRAN BELIEVE HAS BEEN MISSED BY REFORMERS IN THE CONGRESS INTENT ON ACHIEVING WHAT THEY PERCEIVE AS EQUITABLE TAX TREATMENT FOR ALL AMERICANS: THAT A CLEAR NEED FOR TAX INCENTIVES EXISTS TO INDUCE AMERICAN TO WORK IN AREAS WHERE LIVING CONDITIONS ARE LESS ADVNATAGEOUS THAN IN THE UNITED STATES.

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ATHENS FOR RTDO

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5. MANY BUSINESSES ALTHOUGH NOT HAPPY ABOUT CHANGES IN THE LAW, CAN ACCEPT PHILOSOPHICALLY CONGRESSIONAL DESIRE TO ELIMINATE APPARENT INEQUITY. WHAT THEY FIND DIFFICULT TO UNDERSTAND IS WHY CHANGES WERE MADE WITHOUT FIRST INVESTIGATING WHETHER IN FACT EQUITY WOULD BE ACHIEVED AND WHY THERE IS APPARENTLY SUCH A CAVALIER DISREGARD OF THE IMPLICATIONS FOR AND EFFECTS UPON OTHER NATIONAL OBJECTIVES AND INTERESTS. THEY ARE PARTICULARLY UPSET ABOUT TAXATION OF UNEARNED INCOME AND SPECIFICALLY EDUCATION ALLOWANCES WHICH THEY SEE AS DOUBLE TAXATION FOR A SINGLE BENEFIT.

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6. COMMENT: THE ARGUMENT THAT ECONOMIC INCENTIVE IS REQUIRED TO PLACE AND RETAIN AMERICANS OVERSEAS IS OF COURSE PREDICATED UPON THE ASSUMPTION THAT HAVING AMERICANS WORKING OVERSEAS IS GOOD. THE BUSINESS COMMUNITY HAS NOT FULLY UNDERSTOOD THAT, VIEWING THE WAY IN WHICH TAX MEASURES WERE PREPARED AND PRESENTED, IT WOULD APPEAR THAT THIS ASSUMPTION IS NOT NECESSARILY

HELD BY EVERYONE INVOLVED IN DRAFTING TAX LAWS. COMPANIES AND
INDIVIDUALS IN IRAN PRESENTED THE TEAM WITH WHAT WE BELIEVE IS
SUFFICIENT AND AUTHORITATIVE INFORMATION TO DEMONSTRATE CONCLUSIVELY
HOW APPLICATION OF THE NEW TAX LAW WILL CONTRIBUTE TO REDUCING
THE AMERICAN PRESENCE OVERSEAS. IT REMAINS TO BE SEEN IF GAO AND
OTHER INPUT CAN CONVINCE THE CONGRESS THAT THE CONTINUED PRESENCE OF
AMERICAN BUSINESSMAN OVERSEAS IS VITAL TO MAINTENANCE OF EXISTING
LEVELS OF
TRADE WHICH IN TURN HAS SIGNIFICANT IMPACT ON EMPLOYMENT AND
PRODUCTION AT HOME.
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Message Attributes

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Disposition Event:
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Disposition Reason:
Disposition Remarks:
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Status: NATIVE
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TAGS: AGAO, EFIN, IR
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